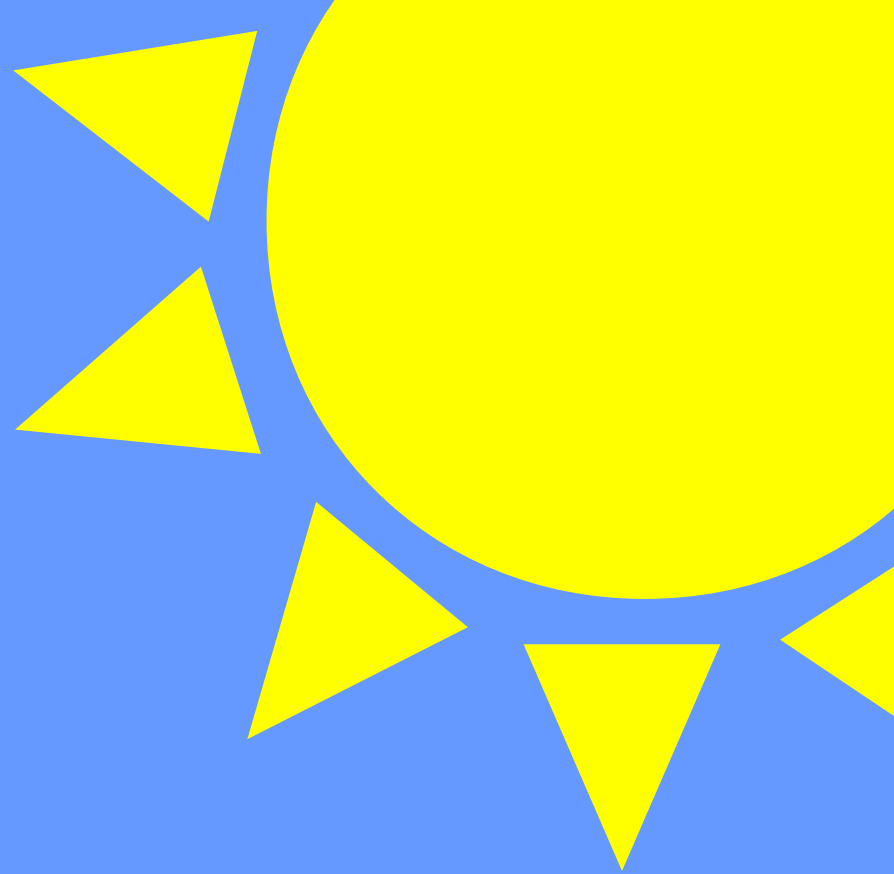


Risk management with  
**impact**





# **Agenda**

How risk thinking took over audit

Pioneering experiences of risk-based reviewing

Where it's going technically

The psychology of how this changes the job

1

A risk based approach is a good thing for all of us.

2

There's huge scope for innovation and improvements. We don't know all the answers by any means.

3

If we want to do well, the place to start is with human psychology.

# **The rise of risk thinking**

## **Institute of Internal Auditors - international standard**

“The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.”

(Also Corporate Governance)

## **IIA - UK and Ireland - position statement on Risk Based Internal Audit**

“RBIA does not preclude the use of systems-based and/or process based auditing as circumstances dictate. It is, however, an approach that focuses on the issues that matter to the organisation and on providing assurance on the risk management framework adopted by the organisation. RBIA will enable internal audit to link directly with the risk management framework thereby leveraging synergies.”

# PricewaterhouseCoopers' TPA

What's your audit plan?

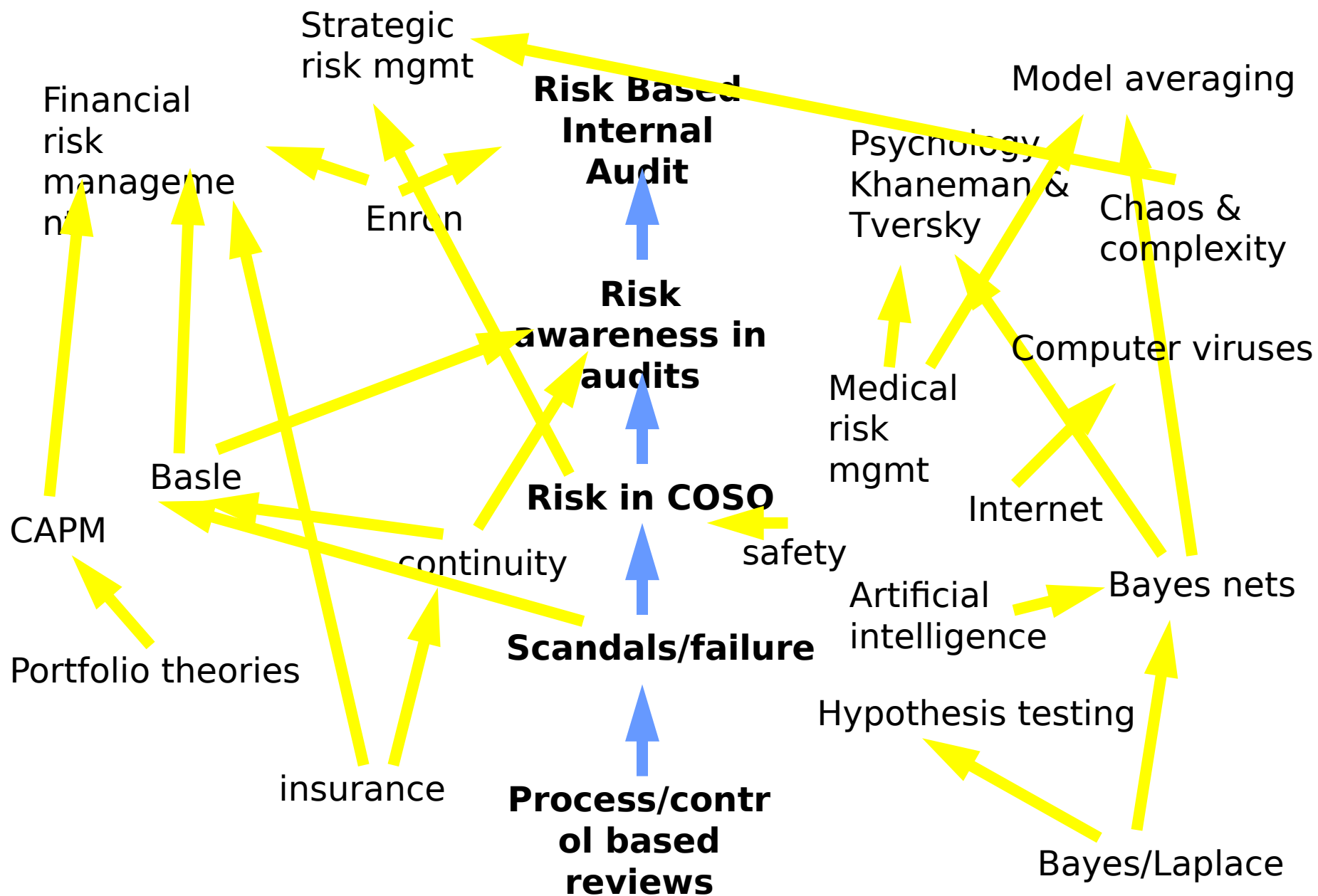
We haven't decided.

Who do you need to speak to?

We'll let you know.

What documents do you want to see?

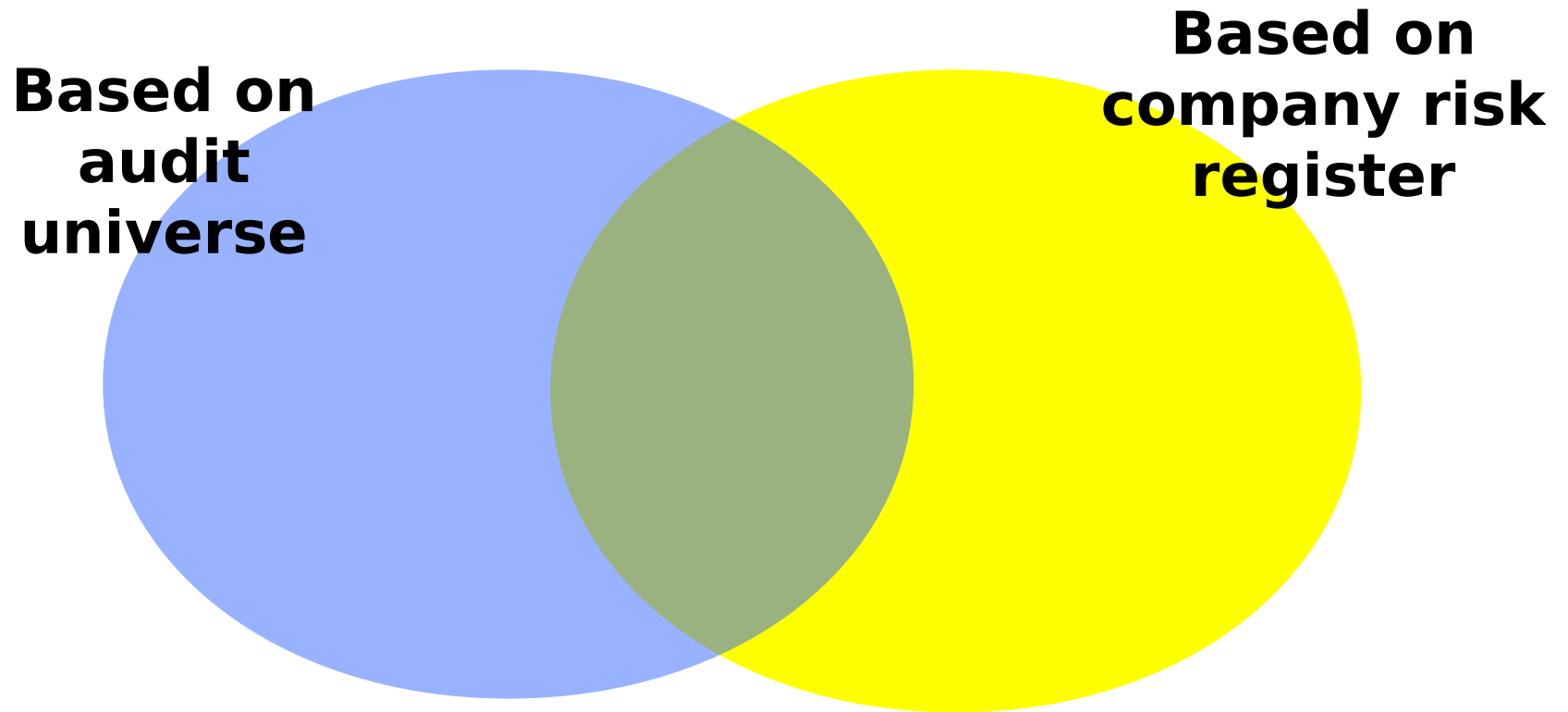
That depends.





**Two pioneering experiences**

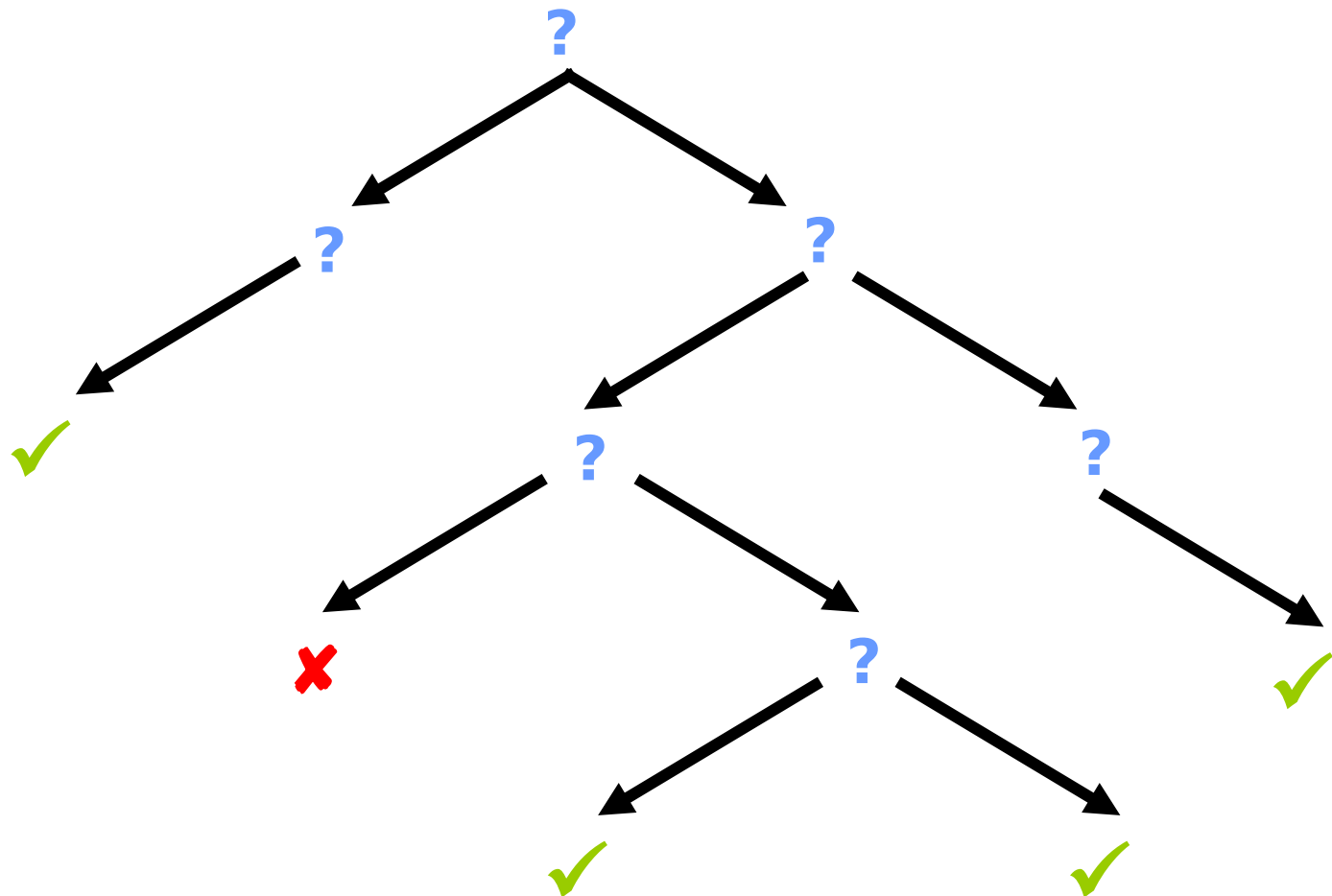
**BAA**  - runs UK's airports

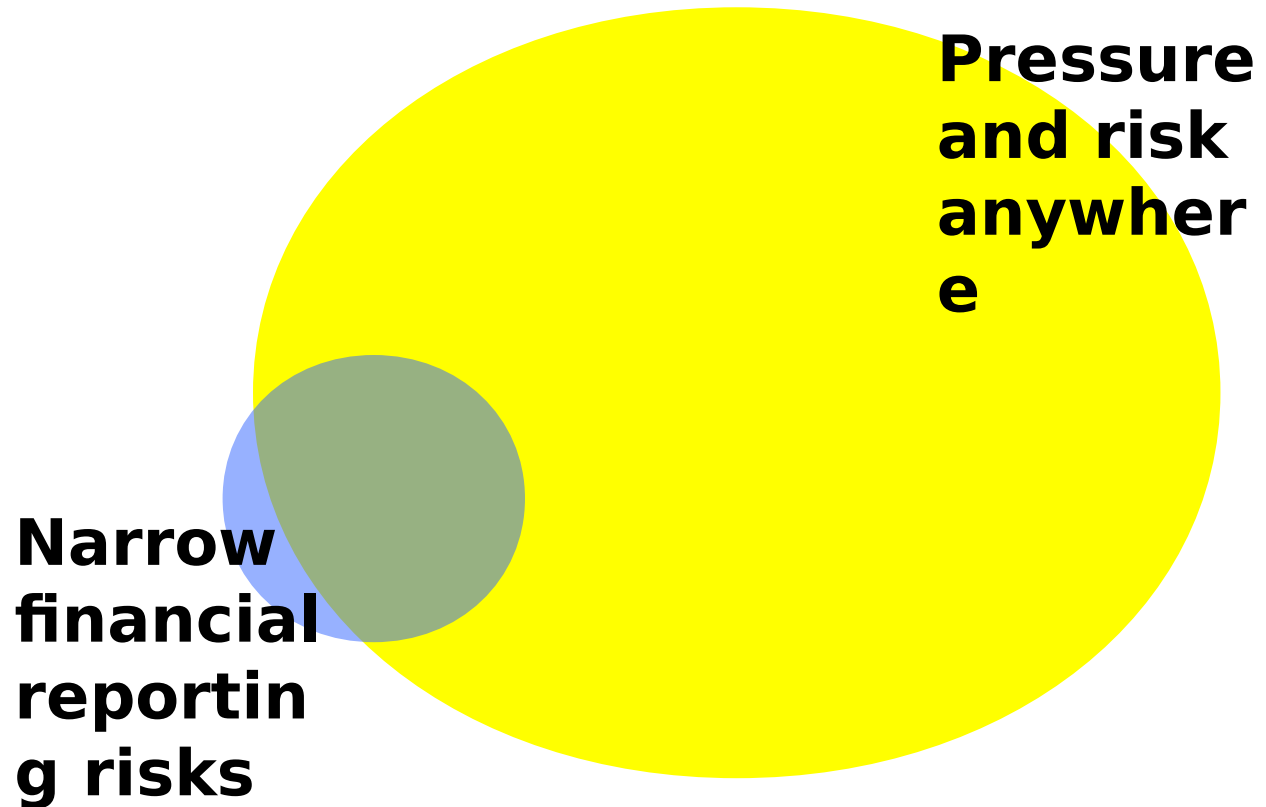


**Routine  
Clerical  
Procedures  
Documents  
Business as usual  
Constraints**

**Non-routine  
Management  
Thinking  
Flipcharts  
Change  
Objectives**

# PRICEWATERHOUSECOOPERS





# **Technical directions**

**Varied**

**Natural**

**Control & risk perspectives merging**

**Personal impact**





# **A mandate to be intelligent**

**Encouragement to think, learn, and  
imagine.**

**Freedom to justify flexibility.**

**Freedom to behave intelligently.**



# **A way to do more with less**

**Focus.**

**Adapt.**



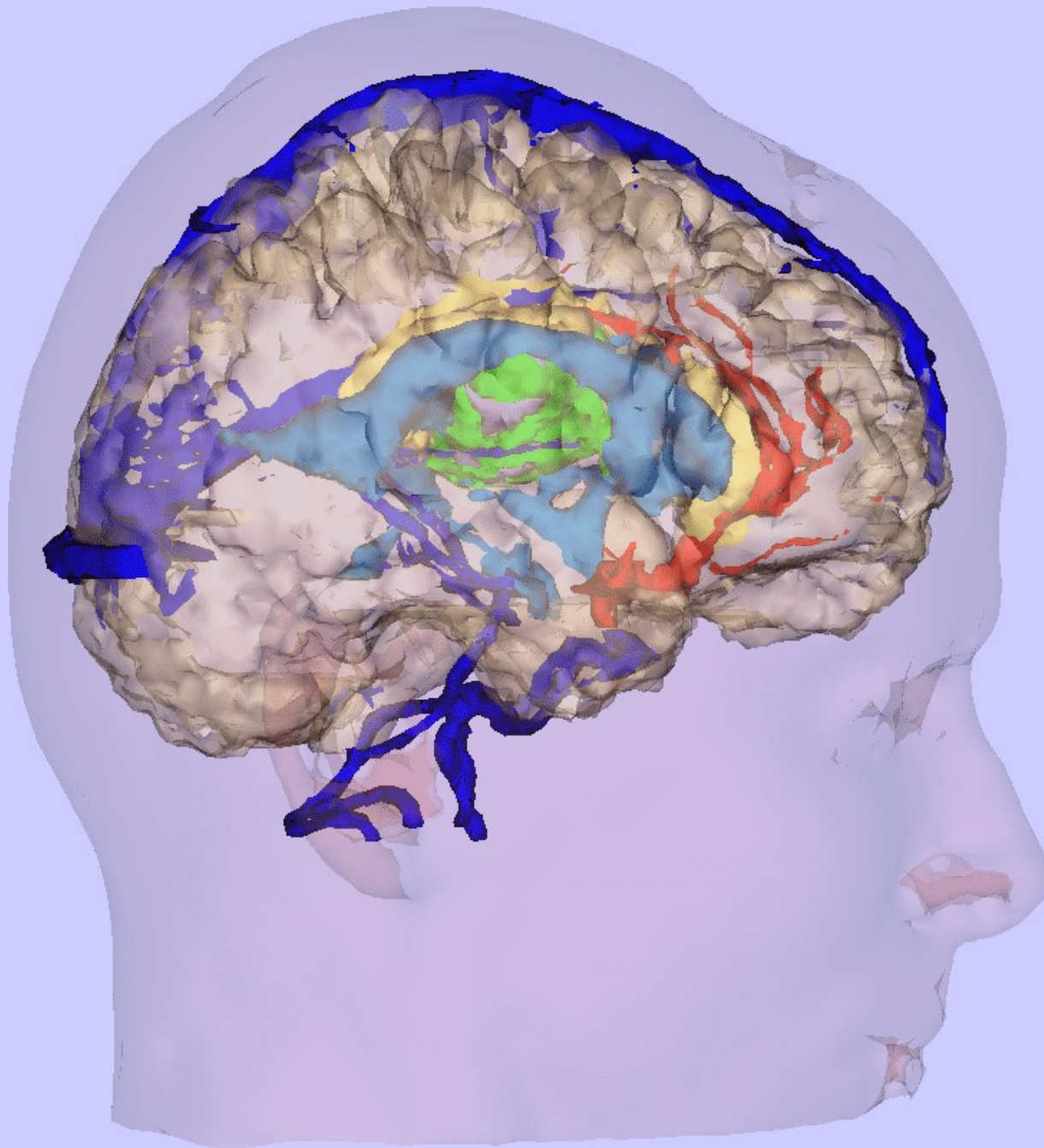
# **More interesting conversations**

**“What’s happening?”**

**“Where are the risk areas?”**

**“What are you doing about them?”**

**“How can I see that?”**



**Why do  
people  
ignore  
risk?**









William M. Burns, member of the Roche Executive Committee, Head of Pharmaceuticals Division  
A very nice man, but imagine ...



**Year 2000: The United States Army Culinary Arts Team**





**A courtroom**

**Many people think risk management is a tool for achieving our original objectives no matter what.**

**I don't agree.**

**Things could happen unexpectedly, both good and bad, that should lead us to revise our objectives.**

**Help people see more of the possible futures.**

**Watch what they say and do.**

**The other big problem with  
risk management - thinking  
of good action plans.**



**Make an impact  
by helping  
people think of  
what to do**

**Sign-offs**  
**Reconciliations**  
**Documentation**  
**Policies**  
**Independent checks**  
**Rules**

**Scenarios**  
**Project structures**  
**Time buffers**  
**Portfolio mgmt**  
**Research**  
**Responsiveness**

1

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Risk management with  
**impact**